



House of Representatives

General Assembly

File No. 596

January Session, 2003

Substitute House Bill No. 6377

House of Representatives, April 30, 2003

The Committee on Judiciary reported through REP. LAWLOR of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING FINANCIAL OVERSIGHT OF INSURERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2003*) (a) The Insurance
2 Commissioner shall maintain as confidential any documents, materials
3 or other information received from (1) the National Association of
4 Insurance Commissioners or the International Association of Insurance
5 Supervisors, or (2) regulatory or law enforcement officials of this state
6 or other jurisdictions when the documents, materials or other
7 information are confidential by law in those jurisdictions. Such
8 documents, materials or other information obtained by the
9 commissioner shall be given confidential treatment and shall not be
10 made public by the commissioner or any other person, except that the
11 commissioner may share the documents, materials or other
12 information in accordance with subsection (b) of this section.

13 (b) The commissioner may share such confidential documents,
14 materials or other information with regulatory or law enforcement

15 officials of this state or other jurisdictions, or with the National
16 Association of Insurance Commissioners or the International
17 Association of Insurance Supervisors, if, prior to sharing the
18 documents, materials or other information, the officials or association
19 demonstrate by written statement the necessary authority and intent to
20 provide to the documents, materials or other information the same
21 confidential treatment required of the commissioner under subsection
22 (a) of this section.

23 Sec. 2. Subsection (d) of section 38a-8 of the general statutes is
24 repealed and the following is substituted in lieu thereof (*Effective*
25 *October 1, 2003*):

26 (d) The commissioner shall develop a program of periodic review to
27 ensure compliance by the Insurance Department with the minimum
28 standards established by the National Association of Insurance
29 Commissioners for effective financial surveillance and regulation of
30 insurance companies operating in this state. The commissioner shall
31 adopt regulations, in accordance with the provisions of chapter 54,
32 pertaining to the financial surveillance and solvency regulation of
33 insurance companies and health care centers as are reasonable and
34 necessary to obtain or maintain the accreditation of the Insurance
35 Department by the National Association of Insurance Commissioners.
36 [The commissioner shall maintain, as confidential, any confidential
37 documents or information received from the National Association of
38 Insurance Commissioners, or the International Association of
39 Insurance Supervisors, or any documents or information received from
40 state or federal insurance, banking or securities regulators or similar
41 regulators in a foreign country which are confidential in such
42 jurisdictions. The commissioner may share any information, including
43 confidential information, with the National Association of Insurance
44 Commissioners, the International Association of Insurance
45 Supervisors, or state or federal insurance, banking or securities
46 regulators or similar regulators in a foreign country so long as the
47 commissioner determines that such entities agree to maintain the same
48 level of confidentiality in their jurisdiction as is available in this state.]

49 The commissioner may engage the services of, at the expense of a
50 domestic, alien or foreign insurer, attorneys, actuaries, accountants
51 and other experts not otherwise part of the commissioner's staff as may
52 be necessary to assist the commissioner in the financial analysis of the
53 insurer, the review of the insurer's license applications, and the review
54 of transactions within a holding company system involving an insurer
55 domiciled in this state.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>

JUD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Insurance Dept.	IF - Net Impact	None	None

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill results in no net impact on the Insurance Fund. Although the bill allows the Department of Insurance (DOI) to utilize the services of consultants when examining insurers, the costs of the consultants would be borne by the insurer being examined. It is anticipated that these consultants would be required two - three times per year.

The confidentiality and information sharing provisions of the bill would not result in a fiscal impact.

OLR Bill Analysis

sHB 6377

AN ACT CONCERNING FINANCIAL OVERSIGHT OF INSURERS**SUMMARY:**

The bill makes several changes in the insurance commissioner's duties concerning confidentiality and sharing of information with other officials. It (1) requires the commissioner to keep confidential any document, material, or information received from the national or international associations of insurance regulators rather than only those that the associations classify as confidential; (2) allows the commissioner to share confidential documents, material, or information with law enforcement officials; and (3) adds such confidential items received from law enforcement officials to the list of records and information the commissioner must keep confidential.

The bill also authorizes the commissioner to use the services of attorneys, accountants, and other experts as may be necessary, to help her (1) conduct a financial analysis of an insurer, (2) review an insurer's license application, or (3) review transactions within an insurance holding company system domiciled in Connecticut. The use of outside experts is authorized only when none are available on the commissioner's staff. The domestic, out-of-state or foreign insurer subject to the examination or review must pay the cost of such experts.

EFFECTIVE DATE: October 1, 2003

CONFIDENTIALITY

The bill requires the commissioner to maintain as confidential any document, material or information received from (1) the National Association of Insurance Commissioners (NAIC) or the International Association of Insurance Supervisors (IAIS) or (2) Connecticut and other state or foreign regulatory or law enforcement officials, if the document, material, or information is maintained as confidential in their jurisdiction. It prohibits such document, material, or information from being publicly disclosed.

The bill also permits the commissioner to share such confidential documents, material, and information with Connecticut and other state and foreign regulatory or law enforcement officials, including the NAIC and IAIS if, before disclosure, they can demonstrate in writing the authority and intent to give such records the same level of confidentiality in their jurisdiction as the commissioner is required to give theirs under the bill.

Under current law, the commissioner maintains as confidential only already confidential documents or information received from the NAIC or IAIS and state or federal insurance, banking, or securities regulators or similar regulators in foreign countries. She is also authorized to share such information only with the above entities, as long as she determines that they will maintain the same level of confidentiality in their jurisdiction as is available in Connecticut.

BACKGROUND

Legislative History

On March 25, the House referred the bill to the Judiciary Committee. On April 16, the committee favorably voted the substitute bill, which eliminates the original bill's exemption from a subpoena for confidential documents, materials, or information received from state, national, and foreign regulatory and law enforcement agencies.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 14 Nay 0

Judiciary Committee

Joint Favorable Substitute

Yea 41 Nay 0